

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY FISCAL COURT

June 30, 2008

The Auditor of Public Accounts has completed the audit of the Jessamine County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, the business-type activities and each major fund of Jessamine County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$59,715,934 as of June 30, 2008. The fiscal court had unrestricted net assets of \$7,596,324 in its governmental activities as of June 30, 2008, with total net assets of \$59,644,148. In its business-type activities, total cash and cash equivalents were \$59,015 with total net assets of \$71,786.

Debt Obligations:

The Fiscal Court had total debt principal as of June 30, 2008, of \$2,474,000 with \$257,915 due within the next year.

Report Comment

- 2008-1 The Jessamine County Detention Center Lacked Internal Controls Over Accounting Functions
- 2008-2 Jail Canteen Fund Disbursements Were Not Properly Accounted For
- 2008-3 The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral For Deposits At All Times And Enter Into A Written Agreement To Protect Deposits

Deposits:

The fiscal court deposits were uncollateralized or uninsured by \$11,308 as of August 31, 2007.

CONTENTS	PAGE
INDEPENDENT AUDITOR’S REPORT	1
JESSAMINE COUNTY OFFICIALS	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	11
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	14
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	27
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	24
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS- PROPRIETARY FUND - MODIFIED CASH BASIS	26
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	28
NOTES TO FINANCIAL STATEMENTS	30
BUDGETARY COMPARISON SCHEDULES.....	46
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	51
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	54
COMMENTS AND RECOMMENDATIONS	58
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	
APPENDIX B:	
JAILER’S RESPONSE TO REPORT COMMENTS	
APPENDIX C:	
AUDITOR’S RESPONSE TO RESPONSE BY JAILER	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable William N. Cassity, Jessamine County Judge/Executive

Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Jessamine County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Jessamine County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Jessamine County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Jessamine County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2009, on our consideration of Jessamine County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable William N. Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Based on the results of our audit, we present the schedule of comments and recommendations, included herein, which discusses the following report comments:

- 2008-1 The Jessamine County Detention Center Lacked Internal Controls Over Accounting Functions
- 2008-2 Jail Canteen Fund Disbursements Were Not Properly Accounted For
- 2008-3 The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral For Deposits At All Times And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

June 4, 2009

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

William Neal Cassity	County Judge/Executive
John Nickell	Magistrate
Bobby Day Wilson	Magistrate
Terry Meckstroth	Magistrate
Tim Vaughn	Magistrate
Gary Morgan	Magistrate
George Dean	Magistrate

Other Elected Officials:

Brian Goettl	County Attorney
Cecil Moss	Jailer
Eva L. McDaniel	County Clerk
H. Fain	Circuit Court Clerk
Kevin Corman	Sheriff
Brad Freeman	Property Valuation Administrator
Keri Sallee	Coroner

Appointed Personnel:

Tami East	County Treasurer
Cindy Tudor	Occupational Tax Collector
Brenda Sewell	Personnel/Payroll Officer
Coleman Tudor	Road Supervisor
Shelby Horn	911 Administrator
Jerry Domidion	EMS Director

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The financial management of Jessamine County, Kentucky offers readers of Jessamine County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with other information that we have furnished.

Financial Highlights

- Jessamine County had net assets of \$59,644,148 as of June 30, 2008 in its governmental activities. The fiscal court had unrestricted net assets of \$7,596,324 in its governmental funds as of June 30, 2008. Total debt principal as of June 30, 2008 was \$2,474,000 with \$138,000 in principal and \$119,915 in interest due within one year.
- The government's total net assets in its governmental activities increased by \$4,573,581 from the prior year. This increase is primarily due to numerous road improvements and the added property value of the new Cassity Government Building.
- At the close of the current fiscal year, the Jessamine County balance sheet reported a total fund balance of \$7,662,530. Of this amount, \$24,699 is reserved for encumbrances.
- Jessamine County's total indebtedness at the close of fiscal year June 30, 2008 was \$2,474,000, of which \$2,216,085 is long term debt (due after 1 year) and \$257,915 is short term debt (to be paid within 1 year). There were two debt additions this fiscal year. We became indebted to KACo for two leases which totaled \$1,500,000 for the completion of our new Cassity Government Building located on South Main. In January, Jessamine County made the final payment for the E-911 Equipment lease. This lease with KACo is now closed.
- In addition, Jessamine County completed the improvements to the Animal Shelter building for \$15,551. This project began late last year and this was able to be completed with grant money. We also began work on the new Extension Office Project with costs totaling \$312,946. Set for completion in October of 2008, the Camp Nelson Barracks building expenditures were \$347,109 this fiscal year. At \$111,359, a new air conditioning system was purchased for the detention center. Jessamine County was also able to acquire four new cruisers and an Expedition at a cost of \$103,161 for the sheriff's department. Finally, the much anticipated North Jessamine Sewer Project got underway this year as well.
- During the 2007-2008 fiscal year, Jessamine County received \$32,788 in federal money for the remaining balance in the Keene Project from last fiscal year. We also were fortunate enough to receive state funding for our new barracks building at Camp Nelson in the amount of \$400,000. Also for the Barracks, we received \$25,000 for furnishings. Upon making the final payment on the Preece Property for soccer fields last year, we were able to receive \$200,000 for road construction at the complex. The final state grant we received was \$20,000 for Animal Shelter improvements.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Jessamine County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(Continued)

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of Jessamine County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Jessamine County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Jessamine County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity - the operation of a jail canteen.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Jessamine County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(Continued)

Government-wide Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Jessamine County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Local Government Economic Assistance Fund (L.G.E.A.), KACO Annex Fund and Emergency Services Fund.

Jessamine County adopts an annual appropriated budget for its major governmental funds.

Government-wide Financial Analysis

Net Assets As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

	Governmental Activities		Business-type Activities		Total	
	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008
Assets						
Current and other	\$ 7,014,452	\$ 7,662,530	\$ 90,536	\$ 59,015	\$ 7,104,988	\$ 7,721,545
Capital	49,164,985	54,455,618	12,771	12,771	49,177,756	54,468,389
Total Assets	<u>56,179,437</u>	<u>62,118,148</u>	<u>103,307</u>	<u>71,786</u>	<u>56,282,744</u>	<u>62,189,934</u>
Liabilities						
Current (Due within one year)	195,597	257,915			195,597	257,915
Long-term	913,273	2,216,085			913,273	2,216,085
	<u>1,108,870</u>	<u>2,474,000</u>			<u>1,108,870</u>	<u>2,474,000</u>
Net						
Invested in capital assets,						
Net of related debt	48,056,115	51,981,618	12,771	12,771	48,068,886	51,994,389
Restricted	74,525	66,206			74,525	66,206
Unrestricted	6,939,927	7,596,324	90,536	59,015	7,030,463	7,655,339
Total Net Assets	<u>\$ 55,070,567</u>	<u>\$ 59,644,148</u>	<u>\$ 103,307</u>	<u>\$ 71,786</u>	<u>\$ 55,173,874</u>	<u>\$ 59,715,934</u>

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(Continued)

Changes in Net Assets

Governmental Activities. Jessamine County's net assets increased by \$4,573,581 during fiscal year 2008. Key elements of this are as follows:

- Infrastructure improvements (road paving)
- Major building construction turning empty lots on Main Street into the Cassity Government Building totaling \$2,474,057

Business-type Activities. Jessamine County's business type net assets decreased by \$31,521 during fiscal year 2008.

Financial Analysis of the County's Funds

As noted earlier, Jessamine County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Jessamine County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2008 fiscal year, the combined ending fund balance of County governmental funds was \$7,662,530.

The County has six major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund (L.G.E.A) 5) Emergency Services Fund 6) KACO Annex Fund.

1. The General Fund is the chief operating fund of Jessamine County. At the end of the June 30, 2008 fiscal year, unreserved fund balance of the General Fund was \$7,313,375. The county received \$4,694,674 in Occupational tax revenues. This accounts for approximately 38% of the general fund revenue. \$2,048,705 was received from real and personal property taxes and accounts for approximately 16% of the county's general fund revenues. Various other taxes and service fees make up the remaining 46% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$55,936 in fund balance at June 30, 2008. The fund balance at the end of the previous year was \$119,841. The fiscal year 2008 expenditures for road projects (including asphalt, bridge construction and contracted services) were \$1,093,273. The Road Fund received \$478,563 in additional county road aid which allowed the county to complete many needed resurfacing projects without incurring debt.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2008 of \$60,895. That is an increase in fund balance of \$6,567 from the previous fiscal year end. The Jail Fund received \$672,901 for housing State and Class D felons, the main source of income for the detention center. This is an increase of \$192,772 from last year. The General Fund contributed \$990,000 to the jail operations.

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(Continued)

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview (Continued)

4. The Local Government Economic Assistance Fund (L.G.E.A.) had a fund balance of \$124,643, a decrease of \$34,680 under the previous fiscal year end. The L.G.E.A Fund purchased a truck and a mower for the Road Fund at a cost of \$31,739. Also a payment was made to the YMCA for their new recreational project. This payment will be made for the next seven years.
5. The Emergency Services Fund accounts for the operation of the county's 911 and ambulance service with revenue derived from a county payroll tax. The year end balance of the EMS Fund was a \$53,908, decreasing by \$5,836 from the previous year's total of \$59,744. A new ambulance was purchased at a cost of \$133,766. Two grants allowed us to purchase medical equipment and supplies at the cost of \$141,494.
6. The KACO Annex Fund functions as a debt service fund that accounts for receipts from the Administrative Office of the Courts used to offset the County's required payments on its debt related to the Courthouse Annex. The year end balance of the KACO Annex Fund was \$41,507.

General Fund Budgetary Highlights

The County's original budget was amended during the fiscal year in order to receive additional road funding in the amount of \$478,564. A second amendment was created to account for grant money received from FEMA and Homeland Security totaling \$151,000 for EMS. Also, amendments had to be made to the General Fund from unexpected income which was borrowed from KACo for the new Cassity Government Building.

Capital Assets and Debt Administration

Capital Assets Jessamine County's investment in capital assets for its government and business type activities as of June 30, 2008, amounts to \$54,468,389 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Major capital asset events during the 2008 fiscal year included major road paving projects. Completion of the Cassity Government Building, which turned empty lots into offices and rental space. Air conditioning improvements were made to the Detention Center and several equipment purchases were made.

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(Continued)

Capital Assets and Debt Administration. (Continued)

Jessamine County Fiscal Court Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Infrastructure Assets	\$32,148,858	\$34,733,927	\$	\$	\$32,148,858	\$34,733,927
Land	3,457,346	3,457,346			3,457,346	3,457,346
Const. in Progress	1,658,216	687,322			1,658,216	687,322
Bldgs. & Improvmts.	10,186,145	13,498,435			10,186,145	13,498,435
Other Equip.	934,166	1,105,339			934,166	1,105,339
Vehicles & Equip.	780,254	973,249	12,771	12,771	793,025	986,020
Total Net Capital Assets	\$49,164,985	\$54,455,618	\$12,771	\$12,771	\$49,177,756	\$54,468,389

Long-Term Debt. At the end of the 2008 fiscal year, Jessamine County had total long-term debt outstanding of \$2,474,000. The amount of this debt due within the next year is \$257,915 and \$2,216,085 is due in subsequent years. This debt is for the Courthouse Annex and the newly completed Cassity Government building. The E-911 debt was retired in January 2008.

Short Term Debt. The only short-term debt we acquired was a loan from Citizen's bank, which has already been repaid.

Additional information on the County's Capital Assets and Debt can be found in Notes 3 and 5 of this report.

Requests For Information

Questions concerning any of the information provided in this or requests for additional financial information should be addressed to Tami East 101 North Main Street Suite 7 Nicholasville, KY 40356.

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JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 7,662,530	\$ 59,015	\$ 7,721,545
Total Current Assets	7,662,530	59,015	7,721,545
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	3,457,346		3,457,346
Construction in Progress	687,322		687,322
Buildings and Building Improvements	13,498,435		13,498,435
Vehicles and Equipment	973,249	12,771	986,020
Other Equipment	1,105,339		1,105,339
Infrastructure	34,733,927		34,733,927
Total Noncurrent Assets	54,455,618	12,771	54,468,389
Total Assets	62,118,148	71,786	62,189,934
LIABILITIES			
Current Liabilities:			
Financing Obligations - Due Within One Year	257,915		257,915
Noncurrent Liabilities:			
Financing Obligations - Due In More Than One Year	2,216,085		2,216,085
Total Liabilities	2,474,000		2,474,000
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	51,981,618	12,771	51,994,389
Restricted for Debt Service	66,206		66,206
Unrestricted	7,596,324	59,015	7,655,339
Total net assets	\$ 59,644,148	\$ 71,786	\$ 59,715,934

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,472,335	\$ 119,369	\$ 376,443	
Protection to Persons and Property	4,121,854	2,235,902	576,763	
General Health and Sanitation	797,708	291,396	35,355	38,962
Social Services	172,749	5,738	270,212	
Recreation and Culture	462,444	7,243		657,789
Roads	1,008,619		1,393,730	
Capital Projects	2,109,358			
Debt Service	87,132			
Transportation Facilities and Services	151,058			
Total Governmental Activities	\$ 14,383,257	\$ 2,659,648	\$ 2,652,503	\$ 696,751
Business-type Activities:				
Jail Canteen Fund	313,698	276,792		
Total Business-type Activities	313,698	276,792		
Total Primary Government	\$ 14,696,955	\$ 2,936,440	\$ 2,652,503	\$ 696,751

Taxes:

Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Occupational Taxes
 Net Profits Tax
 Distilled Spirits Tax
 Other Taxes
 Excess Fees
 Building Rental
 Interest
 Miscellaneous Revenues

Total General Revenues

Change in Net Assets
 Net Assets - Beginning (Restated)
 Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (4,976,523)	\$	\$ (4,976,523)
(1,309,189)		(1,309,189)
(431,995)		(431,995)
103,201		103,201
202,588		202,588
385,111		385,111
(2,109,358)		(2,109,358)
(87,132)		(87,132)
(151,058)		(151,058)
█ \$ (8,374,355)	\$	\$ (8,374,355)
	(36,906)	(36,906)
	(36,906)	(36,906)
(8,374,355)	(36,906)	(8,411,261)
1,823,219		1,823,219
225,486		225,486
340,120		340,120
4,694,674		4,694,674
1,125,290		1,125,290
32,564		32,564
443,044		443,044
1,313,383		1,313,383
114,551		114,551
266,774	3,031	269,805
234,942		234,942
10,614,047	3,031	10,617,078
2,239,692	(33,875)	2,205,817
57,404,456	105,661	57,510,117
\$ 59,644,148	\$ 71,786	\$ 59,715,934

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Emergency Services Fund
ASSETS					
Cash and Cash Equivalents	\$ 7,325,641	\$ 55,936	\$ 60,895	\$ 124,643	\$ 53,908
Total Assets	<u>7,325,641</u>	<u>55,936</u>	<u>60,895</u>	<u>124,643</u>	<u>53,908</u>
FUND BALANCES					
Reserved for:					
Encumbrances	12,266	2,154	1,916		8,363
Unreserved:					
General Fund	7,313,375				
Special Revenue Fund		53,782	58,979	124,643	45,545
Debt Service Fund					
Total Fund Balances	<u>\$ 7,325,641</u>	<u>\$ 55,936</u>	<u>\$ 60,895</u>	<u>\$ 124,643</u>	<u>\$ 53,908</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

KACO Annex Fund	Total Governmental Funds
\$ 41,507	\$ 7,662,530
<u>41,507</u>	<u>7,662,530</u>
	24,699
	7,313,375
	282,949
<u>41,507</u>	<u>41,507</u>
<u>\$ 41,507</u>	<u>\$ 7,662,530</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 7,662,530
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds	71,264,384
Accumulated Depreciation	(16,808,766)
Long-Term Debt Is Not Due And Payable In The Current Period And Therefore Are Not Reported In The Funds	
Financing Obligations	<u>(2,474,000)</u>
Net Assets Of Governmental Activities	<u>\$ 59,644,148</u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGFA Fund</u>
REVENUES				
Taxes	\$ 8,676,556	\$	\$	\$
Excess Fees	1,313,382			
Licenses and Permits	180,714			
Intergovernmental	1,156,466	1,243,348	881,638	150,382
Charges for Services	200,594		67,376	
Miscellaneous	635,516	10,707	30,398	
Interest	256,708	3,867	960	4,277
Total Revenues	<u>12,419,936</u>	<u>1,257,922</u>	<u>980,372</u>	<u>154,659</u>
EXPENDITURES				
General Government	3,185,280			50,000
Protection to Persons and Property	311,365		1,731,368	
General Health and Sanitation	789,508			
Social Services	172,749			
Recreation and Culture	1,223,827			106,400
Roads		1,604,470		32,939
Debt Service	560,497			
Transportation Facilities and Services	151,058			
Capital Projects	2,093,301	16,057		
Administration	<u>2,502,072</u>	<u>66,300</u>	<u>232,437</u>	
Total Expenditures	<u>10,989,657</u>	<u>1,686,827</u>	<u>1,963,805</u>	<u>189,339</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,430,279</u>	<u>(428,905)</u>	<u>(983,433)</u>	<u>(34,680)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		365,000	990,000	
Transfers To Other Funds	(2,689,066)			
Governmental Leasing Act Receipts	1,500,000			
Borrowed Money	<u>500,000</u>			
Total Other Financing Sources (Uses)	<u>(689,066)</u>	<u>365,000</u>	<u>990,000</u>	
Net Change in Fund Balances	741,213	(63,905)	6,567	(34,680)
Fund Balances - Beginning	<u>6,584,428</u>	<u>119,841</u>	<u>54,328</u>	<u>159,323</u>
Fund Balances - Ending	<u>\$ 7,325,641</u>	<u>\$ 55,936</u>	<u>\$ 60,895</u>	<u>\$ 124,643</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Emergency Services Fund	KACO Annex Fund	Total Governmental Funds
\$ 266,663	\$	\$ 8,943,219
		1,313,382
		180,714
280,615	112,600	3,825,049
1,139,310		1,407,280
7,546		684,167
1,374	1,951	269,137
<u>1,695,508</u>	<u>114,551</u>	<u>16,622,948</u>
		3,235,280
2,474,328		4,517,061
		789,508
		172,749
		1,330,227
		1,637,409
51,815	109,689	722,001
		151,058
		2,109,358
<u>509,267</u>	<u>143</u>	<u>3,310,219</u>
<u>3,035,410</u>	<u>109,832</u>	<u>17,974,870</u>
<u>(1,339,902)</u>	<u>4,719</u>	<u>(1,351,922)</u>
1,334,066		2,689,066
		(2,689,066)
		1,500,000
		500,000
<u>1,334,066</u>		<u>2,000,000</u>
(5,836)	4,719	648,078
<u>59,744</u>	<u>36,788</u>	<u>7,014,452</u>
<u>\$ 53,908</u>	<u>\$ 41,507</u>	<u>\$ 7,662,530</u>

The accompanying notes are an integral part of the financial statements.

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**JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	648,078
--	----	---------

Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.

Capital Outlay		6,935,469
Construction In Progress	(1,658,216)	
Depreciation Expense	(2,146,886)	
Disposal of Assets, net of accumulated depreciation	(173,623)	

Debt Proceeds Are Current Financial Resources To Governmental Funds

While Lease And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.

Governmental Leasing Act Proceeds	(1,500,000)	
Financing Obligation Proceeds	(563,400)	
Financing Obligations	698,270	

Change In Net Assets Of Governmental Activities	\$	2,239,692
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JESSAMINE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

	Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 59,015
Total Current Assets	<u>59,015</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	24,542
Less Accumulated Depreciation	<u>(11,771)</u>
Total Noncurrent Assets	<u>12,771</u>
Total Assets	<u>71,786</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	12,771
Unrestricted	<u>59,015</u>
Total Net Assets	<u><u>\$ 71,786</u></u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Enterprise Fund
	<hr/>
	Jail Canteen Fund
	<hr/>
Operating Revenues	
Canteen Receipts	\$ 276,792
Total Operating Revenues	<hr/> 276,792 <hr/>
Operating Expenses	
Cost of Sales	139,762
Educational and Recreational	13,779
Medical Expense	17,224
Depreciation	2,354
Miscellaneous	54,554
Total Operating Expenses	<hr/> 227,673 <hr/>
Operating Income	<hr/> 49,119 <hr/>
Nonoperating Revenues (Expenses)	
Interest Income	3,031
Inmate Refunds	<hr/> (86,025) <hr/>
Total Nonoperating Revenues (Expenses)	<hr/> (82,994) <hr/>
Change In Net Assets	(33,875)
Total Net Assets - Beginning (Restated)	<hr/> 105,661 <hr/>
Total Net Assets - Ending	<hr/> \$ 71,786 <hr/>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2008

JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 276,792
Payments For Goods & Services	(170,766)
Other Operating Expenses	<u>(54,553)</u>
Net Cash Provided By Operating Activities	<u>51,473</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	<u>(86,025)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>3,031</u>
Net Decrease in Cash and Cash Equivalents	(31,521)
Cash and Cash Equivalents - July 1, 2007	<u>90,536</u>
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 59,015</u></u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities	
Operating Income	\$ 49,119
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,354</u>
Net Cash Provided By Operating Activities	<u><u>\$ 51,473</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	30
NOTE 2.	DEPOSITS.....	35
NOTE 3.	CAPITAL ASSETS	36
NOTE 4.	SHORT-TERM DEBT	37
NOTE 5.	LONG-TERM DEBT.....	38
NOTE 6.	JOINT VENTURES.....	41
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	41
NOTE 8.	INSURANCE	41
NOTE 9.	DEFERRED COMPENSATION	42
NOTE 10.	ESTIMATED INFRASTRUCTURE HISTORICAL COST	42
NOTE 11.	BEGINNING NET ASSETS RESTATED	42

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Jessamine County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government.

C. Jessamine County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Jessamine County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Jessamine County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Local Government Economic Assistance Fund - The purpose of this fund is to account for funds received from the state for coal severance taxes. The funds must primarily be used for maintaining the County's road system used by coal trucks.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the County's ambulance runs and funds received from the state for emergency services.

KACO Annex Fund - The purpose of this fund is to account for receipts from the Administrative Office of the Courts used to offset the County's required payments on its debt related to the Courthouse Annex.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Emergency Services Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The KACO Annex Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Infrastructure	\$ 20,000	10-50
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Jessamine County Fiscal Court: North Jessamine Water District and the Jessamine County Public Library.

J. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the depository institution did not have a written agreement with the Fiscal Court securing the County's interest in the collateral pledged.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of August 31, 2007, public funds were exposed to custodial credit risk as follows:

- Uninsured and Unsecured \$11,308

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 3,457,346	\$	\$	\$ 3,457,346
Construction in Progress	1,658,216	687,322	(1,658,216)	687,322
Total Capital Assets Not Being Depreciated	5,115,562	687,322		4,144,668
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	11,646,563	3,364,564		15,011,127
Other Equipment	2,164,064	287,259	(210,737)	2,240,586
Vehicles and Equipment	2,824,690	361,717	(756,763)	2,429,644
Infrastructure	45,203,752	2,234,607		47,438,359
Total Capital Assets Being Depreciated	61,839,069	6,248,147	(967,500)	67,119,716
Less Accumulated Depreciation For:				
Buildings	(1,321,936)	(190,756)		(1,512,692)
Other Equipment	(1,099,229)	(174,587)	138,569	(1,135,247)
Vehicles and Equipment	(1,839,355)	(272,348)	655,308	(1,456,395)
Infrastructure	(11,195,237)	(1,509,195)		(12,704,432)
Total Accumulated Depreciation	(15,455,757)	(2,146,886)	793,877	(16,808,766)
Total Capital Assets, Being Depreciated, Net	46,383,312	4,101,261	(173,623)	50,310,950
Governmental Activities Capital Assets, Net	<u>\$ 51,498,874</u>	<u>\$ 4,788,583</u>	<u>\$ (1,831,839)</u>	<u>\$ 54,455,618</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 24,542	\$	\$	\$ 24,542
Less Accumulated Depreciation For:				
Vehicles and Equipment	(9,417)	(2,354)		(11,771)
Business-Type Activities Capital Assets, Net	\$ 15,125	\$ (2,354)	\$	\$ 12,771

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 128,995
Protection to Persons and Property	8,200
General Health and Sanitation	325,064
Recreation and Culture	92,954
Roads	<u>1,591,673</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,146,886</u>

Business-Type Activities

Jail Canteen	<u>\$ 2,354</u>
Total Depreciation Expense - Business Activities	<u>\$ 2,354</u>

Note 4. Short-term debt

- A. In July 2007, Jessamine County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program (KARP) by issuing a note in the amount of \$63,400, with principal being due in January, 2007. While the County did not use the borrowed funds in order to meet current Road Fund expenses, it was able to reinvest the funds and receive net interest earnings from KARP of \$408.
- B. On October 16, 2007, the Jessamine County Fiscal Court entered into a short term bank note in the amount of \$500,000 at the rate of 7.12% with Citizen's Bank. The loan was used to cover operating expenses and capital expenses related to the governmental building. The principal balance of \$500,000 and accrued interest of \$5,941 was paid on 12/16/07.

Changes In Short-term Liabilities

Short Term Liabilities

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bank Note	\$	\$ 500,000	\$ 500,000	\$
Kentucky Advanced Revenue Program		<u>63,400</u>	<u>63,400</u>	
	<u>\$ 0</u>	<u>\$ 563,400</u>	<u>\$ 563,400</u>	<u>\$ 0</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Long-term Debt

A. Courthouse Annex

On July 3, 1997, the Jessamine County Fiscal Court entered into a twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,700,000 at an assumed interest rate of 4.91% for construction of the Courthouse Annex. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The Jessamine County Fiscal Court entered into a sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which (AOC) sublet the Courthouse Annex. Under the agreement, AOC agreed to offset the County's commitment through payment of a use allowance for operating and maintaining the project. Lease payments from AOC are deposited into an interest bearing Sinking Fund account. Interest earned on this account reduces the net amount due from the County.

The remaining principal balance on the agreement at June 30, 2008 was \$974,000. Annual debt service requirements to maturity for the lease and the AOC lease payments expected to offset the obligation are as follows:

Fiscal Year Ended June 30,	Principal	Interest and Fees	Total Payment	Expected AOC Payments	Net Amount Due From County
2009	88,000	55,641	143,641	112,600	31,041
2010	92,000	50,351	142,351	112,600	29,751
2011	97,000	45,439	142,439	112,600	29,839
2012	102,000	38,856	140,856	112,600	28,256
2013	107,000	33,123	140,123	112,600	27,523
2014-2017	488,000	61,089	549,089	450,400	98,689
	<u>\$ 974,000</u>	<u>\$ 284,499</u>	<u>\$ 1,258,499</u>	<u>\$ 1,013,400</u>	<u>\$ 245,099</u>

B. E-911 Equipment

On March 12, 2003, Jessamine County Fiscal Court entered into a five-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$247,377 at an assumed interest rate of 2.4% for purchase of E-911 Equipment. Payments of interest and fees are due monthly with an annual principal payment due on January 20. This lease was paid in full by June 30, 2008.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Long-term Debt (Continued)

C. Cassity Government Building

1. On November 27, 2007, the Jessamine County Fiscal Court entered into a twenty-year lease with the Kentucky Association of Counties Leasing Trust Program in the amount of \$500,000 at an assumed rate of 4.63% for the construction and renovation of a county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on July 20.

The remaining principal balance as of June 30, 2008 was \$500,000. Annual debt service requirements to maturity for the lease are as follows:

Fiscal Year Ended June 30,	Principal	Interest and Fees	Total Payment
2009	\$ 15,000	\$ 22,354	\$ 37,354
2010	15,000	21,675	36,675
2011	15,000	20,995	35,995
2012	20,000	20,112	40,112
2013	20,000	19,205	39,205
2014-2018	110,000	81,812	191,812
2019-2023	135,000	53,625	188,625
2024-2028	170,000	17,916	187,916
	<u>\$ 500,000</u>	<u>\$ 257,694</u>	<u>\$ 757,694</u>

2. On May 5, 2008, the Jessamine County Fiscal Court entered into another twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,000,000 at an assumed interest rate of 4.435% to cover the additional costs of the construction and renovation of the county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on September 20.

The remaining principal balance as of June 30, 2008 was \$1,000,000. Annual debt service requirements to maturity for the lease are as follows:

Fiscal Year Ended June 30,	Principal	Interest and Fees	Total Payment
2009	\$ 35,000	\$ 41,920	\$ 76,920
2010	35,000	40,729	75,729
2011	35,000	40,145	75,145
2012	35,000	38,613	73,613
2013	40,000	36,910	76,910
2014-2018	220,000	156,875	376,875
2019-2023	270,000	102,567	372,567
2024-2028	330,000	35,724	365,724
	<u>\$ 1,000,000</u>	<u>\$ 493,483</u>	<u>\$ 1,493,483</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Long-term Debt (Continued)

C. Changes In Liabilities

	Beginning Balance	Additions	Principal Payments	Interest & Fee Payments	Ending Balance	Due Within One Year
Primary Government:						
Financing Obligations:						
Kentucky Association of Counties Leasing Trust Program:						
E-911 Equipment	\$ 50,870	\$	\$ 50,870	\$ 3,677	✓ \$	✓ \$
Government Building		500,000		13,637	✓ 500,000	✓ 37,354
Government Building		1,000,000		6,699	✓ 1,000,000	✓ 76,920
Courthouse Annex	1,058,000		84,000	60,727	✓ 974,000	✓ 143,641
	✓ \$ 1,108,870	✓ \$ 1,500,000	✓ \$ 134,870	✓ \$ 84,740	✓ \$ 2,474,000	✓ \$ 257,915

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Joint Ventures

Jessamine County Joint Economic Development Authority

The County along with the City of Nicholasville is a member of the Jessamine County Joint Economic Development Authority, Inc. (the Authority), which is a nonprofit industrial authority created to acquire, retain, develop, and promote land for industrial and commercial purposes. The participants provide annual funding for its operations. During the current year, the County contributed \$50,000 for its operations and debt. The County appoints three members to the Authority's governing board. The ordinance establishing the Authority provides that the members will be responsible for appropriating funds sufficient to finance projects until sales by the Authority are sufficient to cover the cost of the projects.

Nicholasville/Jessamine County Parks and Recreation Board

The County along with the cities of Nicholasville and Wilmore, have created the Nicholasville/Jessamine County Parks and Recreation Board (PRB). The participants provide annual funding for its operations. The County appropriated \$260,000 for operating expenses of the PRB for the year ended June 30, 2008. The PRB's board is composed of five members; two Jessamine County Fiscal Court Magistrates, two Nicholasville City Commissioners, and one City of Wilmore Council Member.

Note 7. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for the hazardous employees was 33.87 percent. The contribution requirements and the amounts contributed to CERS were \$1,286,031, \$1,057,962, and \$851,435, respectively for the years ended June 30, 2008, 2007, and 2006.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Insurance

For the fiscal year ended June 30, 2008, Jessamine County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 9. Deferred Compensation

Jessamine County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration for tax sheltered supplemental retirement plans for all state, public, school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until terminations, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862, or by telephone at (502) 573-7925.

Note 10. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary governmental estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. The estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the fiscal year ended June 30, 2003. All infrastructure assets placed in service during the fiscal year ended June 30, 2004, and thereafter are recorded at actual historical cost.

Note 11. Beginning Net Assets Restated

Net assets as previously reported have been previously restated by \$2,336,243 due to errors on the capital asset list in regard to assets listed and accumulated depreciation calculations.

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JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,041,250	\$ 8,041,250	\$ 8,676,556	\$ 635,306
Excess Fees	761,484	761,484	1,313,382	551,898
Licenses and Permits	215,000	215,000	180,714	(34,286)
Intergovernmental Revenue	6,492,989	6,492,989	1,156,466	(5,336,523)
Charges for Services	150,075	150,075	200,594	50,519
Miscellaneous	521,393	521,393	635,516	114,123
Interest	170,000	170,000	256,708	86,708
Total Revenues	16,352,191	16,352,191	12,419,936	(3,932,255)
EXPENDITURES				
General Government	4,512,350	4,658,168	3,185,280	1,472,888
Protection to Persons and Property	285,614	347,914	311,365	36,549
General Health and Sanitation	745,426	870,600	789,508	81,092
Social Services	186,482	186,482	172,749	13,733
Recreation and Culture	1,355,389	1,391,215	1,223,827	167,388
Other Transportation Facilities & Services	134,796	157,848	151,058	6,790
Debt Service	35,211	576,597	560,497	16,100
Capital Projects	7,330,000	7,803,000	2,093,301	5,709,699
Administration	4,332,219	3,775,663	2,502,072	1,273,591
Total Expenditures	18,917,487	19,767,487	10,989,657	8,777,830
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	(2,565,296)	(3,415,296)	1,430,279	4,845,575
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(2,970,000)	(2,970,000)	(2,689,066)	280,934
Borrowed Money		1,000,000	1,000,000	-
Total Other Financing Sources (Uses)	(2,970,000)	(1,970,000)	(1,689,066)	280,934
Net Changes in Fund Balances	(5,535,296)	(5,385,296)	(258,787)	5,126,509
Fund Balances - Beginning	5,535,296	5,535,296	6,584,428	1,049,132
Fund Balances - Ending	\$	\$ 150,000	\$ 6,325,641	\$ 6,175,641

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 771,772	\$ 1,250,336	\$ 1,243,348	\$ (6,988)
Miscellaneous			10,710	10,710
Interest	4,000	4,000	3,867	(133)
Total Revenues	<u>775,772</u>	<u>1,254,336</u>	<u>1,257,925</u>	<u>3,589</u>
EXPENDITURES				
Roads	1,320,691	1,857,618	1,604,470	253,148
Capital Projects	100,000	41,637	16,057	25,580
Administration	134,669	134,669	66,301	68,368
Total Expenditures	<u>1,555,360</u>	<u>2,033,924</u>	<u>1,686,828</u>	<u>347,096</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(779,588)</u>	<u>(779,588)</u>	<u>(428,903)</u>	<u>350,685</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	725,000	725,000	365,000	(360,000)
Total Other Financing Sources (Uses)	<u>725,000</u>	<u>725,000</u>	<u>365,000</u>	<u>(360,000)</u>
Net Changes in Fund Balances	(54,588)	(54,588)	(63,903)	(9,315)
Fund Balances - Beginning	<u>54,588</u>	<u>54,588</u>	<u>119,839</u>	<u>65,251</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 55,936</u>	<u>\$ 55,936</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 791,379	\$ 791,379	\$ 881,638	\$ 90,259
Charges for Services	93,400	93,400	67,376	(26,024)
Miscellaneous	500	500	30,397	29,897
Interest	1,000	1,000	960	(40)
Total Revenues	886,279	886,279	980,371	94,092
EXPENDITURES				
Protection to Persons and Property	1,649,841	1,737,977	1,731,368	6,609
Administration	296,338	358,202	232,436	125,766
Total Expenditures	1,946,179	2,096,179	1,963,804	132,375
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	(1,059,900)	(1,209,900)	(983,433)	226,467
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,000,000	1,000,000	990,000	(10,000)
Total Other Financing Sources (Uses)	1,000,000	1,000,000	990,000	(10,000)
Net Changes in Fund Balances	(59,900)	(209,900)	6,567	216,467
Fund Balances - Beginning	59,900	59,900	54,328	(5,572)
Fund Balances - Ending	\$	(150,000)	\$ 60,895	\$ 210,895

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	Local Government Economic Assistance Fund			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 175,000	\$ 175,000	\$ 150,382	\$ (24,618)
Interest	5,000	5,000	4,277	(723)
Total Revenues	180,000	180,000	154,659	(25,341)
EXPENDITURES				
General Government	50,000	50,000	50,000	
Recreation and Culture	106,400	106,400	106,400	
Roads	150,000	150,000	32,939	117,061
Capital Projects	46,600	46,600		46,600
Total Expenditures	353,000	353,000	189,339	163,661
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(173,000)	(173,000)	(34,680)	138,320
Net Changes in Fund Balances	(173,000)	(173,000)	(34,680)	138,320
Fund Balances - Beginning	173,000	173,000	159,323	(13,677)
Fund Balances - Ending	\$	\$	\$ 124,643	\$ 124,643

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 273,015	\$ 273,015	\$ 266,663	\$ (6,352)
Intergovernmental Revenue	287,720	438,720	280,615	(158,105)
Charges for Services	1,225,754	1,225,754	1,139,310	(86,444)
Miscellaneous	5,000	5,000	7,546	2,546
Interest	1,700	1,700	1,374	(326)
Total Revenues	1,793,189	1,944,189	1,695,508	(248,681)
EXPENDITURES				
Protection to Persons and Property	2,413,093	2,606,833	2,474,328	132,505
Debt Service	116,817	51,817	51,815	2
Administration	560,897	583,157	509,267	73,890
Total Expenditures	3,090,807	3,241,807	3,035,410	206,397
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,297,618)	(1,297,618)	(1,339,902)	(42,284)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,245,000	1,245,000	1,334,066	(89,066)
Total Other Financing Sources (Uses)	1,245,000	1,245,000	1,334,066	(89,066)
Net Changes in Fund Balances	(52,618)	(52,618)	(5,836)	46,782
Fund Balances - Beginning	52,618	52,618	59,744	7,126
Fund Balances - Ending	\$	\$	\$ 53,908	\$ 53,908

JESSAMINE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. General Fund Reconciliation

The General Fund Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds in the amount of \$1,000,000. This difference is due to the fact that the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds includes lease proceeds in the amount of \$1,000,000 for which the original budget was not amended to include.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William N. Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of Jessamine County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 4, 2009. Jessamine County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jessamine County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jessamine County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jessamine County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2008-1 and 2008-2.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Jessamine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2008-3.

Jessamine County's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Department For Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 4, 2009

**JESSAMINE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2008

**JESSAMINE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2008

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

2008-1 The Jessamine County Detention Center Lacked Internal Control Over Accounting Functions

A lack of internal controls, segregation of duties and oversight by the Jailer exists over the accounting function at the Jessamine County Detention Center and the Jail Canteen Fund.

Internal controls and segregation of duties over accounting functions of cash collections, cash disbursements and reconciliation of bank records to source documents or implementation of compensating controls, when needed because number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The Jailer is responsible for collecting and disbursing certain monies in the course of his elected position. The following problems were noted:

- Daily deposits were not being made for cash collected from inmates incarcerated at the Jail. Soda commission checks were held for up to a month before being deposited. Inmate fees and bonds were not deposited or submitted to the County Treasurer or the Circuit Court Clerk in a timely matter.
- Daily cash check-out sheets were not completed and therefore were not reconciled to receipts issued, receipts ledger or the daily deposit.
- Monthly bank reconciliations were not completed timely or reviewed by the Jailer.
- Several times throughout fiscal year 2008 the Jail Commissary Fund bank account had a negative cash balance. The Jail Commissary Fund should always include adequate cash to cover inmate account balances. Jail staff were unable to produce documentation of inmate account balances for fiscal year ending June 30, 2008.
- There were two numerical sequences of checks utilized in the Jail Canteen Fund during fiscal year 2008.
- Sales tax was only remitted on 15% of Jail Commissary sales.
- No approval or review process occurs for expenditures from the Jail Commissary Fund.
- Checks written for cash to give to inmates are not reconciled with cash requirements per inmate commissary sheets or reviewed by the Jailer. This left \$18,049 unaccounted for in fiscal year 2008. Per further inquiry, Jail Commissary is conducted on Mondays and Thursdays. On Mondays inmates were required to sign their purchase requests to substantiate charges to their accounts. On Thursdays purchase request sheets were not completed.
- There was no reconciliation of Jail Commissary inventory purchases to sales to determine purchase requirements.

JESSAMINE COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 2008
 (Continued)

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES (Continued)

2008-1 The Jessamine County Detention Center Lacked Internal Control Over Accounting Functions
 (Continued)

- Supporting documentation for refunds to inmates for their account balance upon release was not always signed by the inmate.
- There were 19 people with signature authority on the Jail Commissary bank account. Three of which are no longer employees of the Jail.
- During fiscal year 2008, there was no monitoring of inmate account receivable balances or policy in place to collect amounts due from inmates when released.
- Inmates were not required to sign for medical services received while at the jail which were deducted from their commissary account.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Jailer should implement internal controls and processes to address all areas of concern noted. This should include, but not be limited to, the separation of duties involving the receipt and disbursement of cash. The Jailer should implement policies and procedures to ensure daily deposits are made and reconciled to the receipts ledger and daily check out sheet, sales tax is collected and remitted on Jail Canteen sales as required by law, inventory in commissary is monitored, reconciled and accounted for and all charges to inmate accounts and disbursements from Jail Canteen Fund are adequately substantiated by supporting documentation. The Jailer should also implement controls on inmate account receivable balances and their subsequent collection. Furthermore, the Jailer should implement controls over and closely monitor the practice of writing checks for cash to be distributed to inmates. The Jailer should provide oversight of the Jail staff's completion of these duties as assigned. This oversight should be documented by the Jailer signing off on source documents as processed through accounting system.

Jailer's Response: See Appendix B for Jailer's Response.

Auditor's Response: See Appendix C for Auditor's Response.

2008-2 Jail Canteen Fund Disbursements Were Not Properly Accounted For

As noted in comment 2008-1, during the audit period, checks were written for cash from the Jail Canteen Fund, which totaled \$38,500. Per documentation provided, in addition to the \$38,500, the Jail Canteen Fund had a beginning cash balance of \$1,000 for a total of \$39,500. The cash was to be used by inmates to make purchases from the soda vending machines located within the jail. The inmates were to request cash on their commissary sheets. However, based on documentation provided on inmate commissary sheets, only \$21,450 can be accounted for as being distributed to the inmates. A reconciliation of cash issued to inmates and checks written to cash for this purpose was not completed and oversight of this process was not provided by the Jailer. This leaves \$18,049 in Jail Canteen Funds unaccounted for. We recommend that the Jailer implement internal controls that will require adequate reconciliation, documentation, and oversight of this process.

Jailer's Response: See Appendix B for Jailer's Response.

JESSAMINE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2008
(Continued)

STATE LAWS AND REGULATIONS

2008-3 The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral For Deposits At All Times And Enter Into A Written Agreement To Protect Deposits

The Fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of August 31, 2007, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$ 11,308 of public funds uninsured and unsecured. Furthermore, there was no written agreement between the Fiscal Court and the depository institution, signed by both parties, securing the interest in the collateral. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. We recommend the Fiscal Court enter into a written agreement with all depository institutions where county funds are maintained in order to secure the Fiscal Court's interest in the collateral pledged or provided by the depository institution. We further recommend the Fiscal Court require the Depository Institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Judge/Executive's Response: A security agreement will be signed June 10 by United Bank. While bank was changing over, collateral went unpledged for some time.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

JESSAMINE COUNTY FISCAL COURT

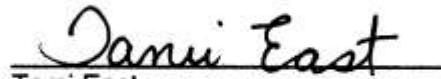
**For The Fiscal Year Ended
June 30, 2008**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JESSAMINE COUNTY FISCAL COURT
For The Fiscal Year Ended June 30, 2008

The Jessamine County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


William Neal Cassity
County Judge/Executive


Tami East
County Treasurer

**JESSAMINE COUNTY FISCAL COURT
JAILER'S RESPONSE TO REPORT COMMENTS**

**For The Fiscal Year Ended
June 30, 2008**

Appendix B



NIKI GIBSON
Certified Public Accountant

(859) 881-8226
(859) 881-8597 Fax

920 South Main Street
Nicholasville, KY 40356

June 11, 2009

Auditor of Public Accounts
105 Sea Hero Road
Suite 2
Frankfort, Kentucky 40601
Attention: Beth Francis

This letter is in response to the Exit Conference Report issued to Judge William Neal Cassity which relates to an audit performed on the Jessamine County Detention Center's Canteen Account for the fiscal year ending June 30, 2008. I have met with the Jessamine County Jailer, Cecil Moss to discuss the results of this audit. This letter is intended as a response to explain the reason certain procedures are already in place, those that had been put into place by the Jailer after June 30, 2008 but before the audit and the procedures that I have recommended to be put into place going forward.

First to address is the issue of "The Jessamine County Detention Center Lacked Internal Control Over Accounting Functions" (labeled #1 on the report).

1. Internal Controls and Segregation of Duties:

- Monies are received when an inmate is brought into the jail. Whatever money the inmate has in his or her possession at the time of arrest is taken by the jail employee that is booking in that inmate. That money is then placed in an envelope and deposited into a locked box (the bottom lock box). The amount received from each inmate is then written on a sheet and signed off on by the jail employee that booked that particular inmate in. Given the fact that inmates are brought into the jail 24 hours a day, 7 days a week it is nearly impossible to leave the responsibility of collecting this cash up to one or even two employees. Other funds that are received by the jail include commission checks from Coca-Cola and Pepsi-Cola and the State payment check from the Commonwealth of Kentucky for the Class D Felony Inmates. These checks

are directly dropped into this locked box unopened. Captain John Quinn (Hereafter referred to as John Quinn) is the only jail employee that has a key to this bottom locked box. John Quinn works on Mondays, Thursdays, Saturdays and Sundays at the jail. He deposits all the money received on Mondays and Thursdays. To my knowledge there is no law in place to require a daily deposit of funds. Deposits made to the bank on a timelier basis would result in numerous employees having access to this locked box, therefore creating more opportunity for misappropriation of funds. I have found that this system could be made more secure in the following ways: the log that is already being filled out by the jail employees should be revised to also include a column for that inmate to sign verifying the amount of the funds received by the jail. If the inmate is incoherent at the time of arrest then a witness should sign instead. There should also be a column log that the jail employee who receives the checks from Coca-Cola, Pepsi-Cola and the Commonwealth of Kentucky uses to record the date it was received by the jail, the amount of the check and then sign the log beside this entry prior to depositing these checks into the locked box. The logs should be totaled by Lisa Brumfield on the day that John Quinn unlocks the box and makes the deposit. The deposit slip should then be reconciled to the two logs and attached together and signed off on by the Jailer, Cecil Moss.

- The jail has two sets of checks which are used to disburse funds from the canteen account. One sequence of checks is designed to be used solely to write checks to the vendors that are used to supply the canteen inventory or for other canteen needs such as the medical doctor or the GED classes. The other sequence of checks is designed to be used solely to refund the inmates account balance upon release from

jail. This account balance is the sum of the funds received from the inmate at the time of he or she is booked into the jail less any booking or housing fees, any canteen supplies purchased, and any medical expenses incurred. John Quinn is the only employee that has access to the checks designed for vendor purchases. There were 19 employees that have had signature authority over the other sequence of checks. For various reasons, three of these employees are no longer at the jail and their names have been removed from having signature authority since the audit. This was an oversight by the Jailer. It is necessary to have a large number of employees with check writing authority for the sequence of checks intended for the release of inmates, in that inmates can be released 24 hours a day, 7 days a week. Given that these circumstances exist and employees' schedules vary from week to week you would need to have at least 2 to 3 employees per shift able to sign these checks to take care of lunch, breaks and other unexpected circumstances, which could arrive at any given time. It would be illegal to not allow the employee with the signature authority the ability to take a break or lunch simply to reduce the number of employees available to sign the checks. It has been recommended that the checks be withheld from the inmates upon their release until the next day when either, Jailer Cecil Moss, John Quinn or Lisa Brumfield could be available to sign these inmate release checks. This is neither feasible nor recommended on my part. First of all, there are issues with overtime, breaks and lunches. Secondly, since there is no law preventing an inmate from being given back what funds he or she had on hand at the time of their arrest with, withholding of these funds might be illegal. The inmate has only been arrested and charged at this point, not found guilty. Thirdly, since this is a regional jail any delay in returning the funds

could result in a hardship to the inmate or their family having to drive long distances in returning to receive the funds when no one is available to sign a check. If the inmate is being transferred to another facility, these funds must be available to be transferred along with them immediately. Fourthly, since these are checks and not cash, a check can be verified against the paperwork for that particular inmate and double verified with the bank reconciliation. Also with the technology available today the image of any particular written check along with a paper trail showing where it was cashed or deposited can be pulled from the bank's database. This technology alone significantly decreases the opportunity for misappropriation of funds to be disguised through proper investigation of alleged misappropriation. Given all that has been said, in the Jailer's defense for this particular issue, it is my opinion that if the state wants to restrict the time at which checks written to released inmates for the balance on their canteen accounts can be issued, then a law needs to be passed that allows the Jailer to have a reason to withhold these funds upon the inmates' release from jail.

- The jail has been accused of holding commission checks for up to one month before depositing. John Quinn has reviewed these particular deposits and ordered documentation from Pepsi-Cola and actually found this statement to be false (documentation to prove this is attached). There is no benefit to any employee of the jail holding a check until it is deposited. Checks are different than cash and really can't be used as a way to steal funds in this scenario. There are possible reasons for the delay in deposits including scheduled hours, vacations, the time the accounts payable at that particular vendor's company cuts and releases the check, and the mail delivery

time. Over time the recommended log mentioned above would verify that this is actually not a problem.

- The auditors have stated that the inmate fees and bonds were not submitted to the County Treasurer on a timely basis. According to KRS 431.5305 (attached) the jail is only required to submit these figures to the County Treasurer on a monthly basis. The Jailer has informed me that these figures are actually reported 2 or 3 times a month not just the required monthly report according to KRS statues. Again, if the state wants for this report to be given to the County Treasurer on a more frequent basis then the law needs to be adjusted and required of all jails across the state. Also, the jailers need to be given sufficient time to make the changes necessary to adjust to these new laws.
- Daily cash check out sheets cannot be completed if the current procedure does not allow for daily deposits or daily canteen runs. Canteen runs to the inmates and canteen deposits to the bank are made on Mondays and Thursdays. Canteen deposits are described above. Canteen cash "check outs" are only made on the days in which the canteen is run. These cash checkouts are actually called "Pop Dollars". Inmates are allowed to "order pop dollars" from the canteen during the Monday and Thursday canteen run. Pop Dollars are then used by the inmates to purchase Pepsi-Cola and Coca-Cola soft drinks from the vending machines located within the jail. The Captain, John Quinn gets cash from the bank to add to the "Petty Cash". Petty cash is kept in the top (1st) lock box at the jail and it used for the most part to account for "Pop Dollars" for the inmates. These "Pop Dollars" are distributed from petty cash to the inmates and charged against that inmate's canteen account. The canteen

account consists of the money that is received by the inmate when he or she is brought into the jail plus any funds received by the jail from the family and friends of the inmate. I have recommended that a petty cash log be implemented into the accounting process to account for these dollars. Starting at date "Y" the beginning petty cash should consist of "X amount of dollars", then any money withdrawn for pop dollars should be subtracted and any money reinvested (not used) should be added back to this petty cash log and checks written to the bank for petty cash should also be added to this log. Any other addition or subtraction to the petty cash log that is not part of the pop dollars used by the inmates should be recorded and verified by supporting documentation. Any amount in excess of \$250 that is not related to the pop dollars should be signed off on by the Jailer. The logs from the canteen runs should be totaled and the pop dollars taken should reconcile to pop dollars in/out in the petty cash log. The Jailer should assign an employee that does not have access to this account on a daily basis to complete this reconciliation and check for any inconsistencies that may exist. It is not necessary for the Jailer himself to do this as this is what employees are meant for. The Jailer would only need to be informed of significant (material) discrepancies or repetitive discrepancies regardless of the amounts in question.

- The monthly bank reconciliations are currently outsourced by Jailer, Cecil Moss to my firm, Niki Gibson CPA, PSC. This process was originally outsourced once a year, but I had already recommended that this actually needed to be done once a month and that process is already in place. I have additionally recommended after reading the auditor's report that I begin delivering these reconciliations to the Jailer, Cecil Moss once

a month for approval. This procedure will be implemented immediately.

- There have been a few times that the jail's main checking account has had a negative account balance. This is most likely due to the fact that there are two sets of checks that are being maintained and deposits are not being made on a daily balance. I have recommended that the Jail open a savings account that can be used as an overdraft account for these purposes. As of June 30, 2008, the jail had an excess of \$58,000 in the savings and CD accounts belonging to the canteen. It would therefore be safe to say that there were more than enough funds available to cover these negative balances. The problem was that the checking account for the canteen was not properly set up with the bank to cover such occurrences. I have suggested that a new savings account be set into place in the same bank as the main checking account that would serve as an overdraft protection for the jail while still drawing interest. By transferring at least \$20,000 into this savings account all the funds would be available for any possible future overdrafts. Unnecessary additional staff and deposit authority would therefore be eliminated. I have also suggested that an additional procedure be put into place to minimize the possibility that the bank's computer system would need to automatically draft these funds from the savings account, thereby protecting the assets maintained in these accounts from being needlessly consumed in the day to day affairs of the jail's canteen account. A centralized checking account register needs to be created with each line entry being initialized by the jail employee that writes a check or makes a deposit. This register would combine both sequences of checks and all deposits into one continuous running bank balance. The reason that the auditors found fault with double sequence set of

checks is that the "left hand doesn't know what the right hand is doing." When checks are being written from two check books and deposits are only being made twice a week, there is an opportunity for overdrafts to occur. Because all of the checks and deposits deal with the same canteen account I believe there should only be one checking account. The Jailer and I have discussed this issue in great detail and found that by implementing both of the procedures mentioned above; the chance for any future overdraft would be significantly reduced. It should be noted that human error can still occur and no safeguard can be 100% effective against this type of error.

- Sales tax has been collected and remitted. There has been some confusion as to what was actually taxable and what was not. There has never been a question to the fact that health and beauty aid items such as clothing, soap, toilet paper, envelopes, etc. are taxable. The question has really been more with the food items. Food is actually subdivided into many categories making it taxable or not. Soft drinks are taxable while kool aid mixes are not. The jail sales soft drinks through the vending machines and only receives commission checks for these sales; therefore the soft drink companies are responsible for the tax. Kool Aid is considered as a non taxable item as is any non prepared item. According to KRS 139.485 (attached), candy is actually taxable, but only if is not prepared with any ingredient containing flour or requiring refrigeration. Since the laws surrounding the taxation of the items sold within the canteen are very technical, my firm will cooperate with the Jail to re-evaluate which items may actually not be currently being taxed correctly. Since the canteen account by law can only be used for certain purposes (mostly for and by the inmates) then there is actually no benefit to the Jailer purposely
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withholding any sales tax due to the State of Kentucky. It could actually be considered to be a partial reimbursement to the state for the state pay inmates. If upon further examination we discover that the State of Kentucky has been underpaid for any particular month then an amended return will be immediately filed with all additional monies due at that time. It should be noted that if an underreporting of tax is found, if any, it is due in total to a misunderstanding of the sales tax law. The sales tax law for the jail canteen accounts across the State of Kentucky was only put into place within the past several years. Being fairly new, and given the fact that the jail buys inventory in bulk and subdivides it prior to selling it to the inmates, it has taken much research to discover the actual laws that might apply to this unique situation. Additionally, it is quite confusing to the Jail employees as the jail itself it forgiven this sales tax by the vendor due to the fact that it is a government entity and then has to turn around and figure out what to tax when the jail itself never paid any to begin with. Perhaps it would be advisable if the Kentucky Sales Tax department would issue regulations unique to jail canteen accounts.

- The auditors have recommended that the Jailer actually review and sign off on all expenditures made by the jail. This is not an advisable or feasible recommendation. Expenditures are made at various times of the day, perhaps even on days that the Jailer is not at work. Unnecessary paperwork causes backlogs and essentially taxpayer's money. What is the purpose of hiring a manager if the boss still has to okay every dollar spent? I have recommended that a system be put into place where the Jailer has to sign off on any amount exceeding "y" amount of dollars spent during a purchase. The jailer has stated that this amount needs to be any amount that is \$1,000 or more.

This amount may need to be increased for purchases made by the kitchen manager as food bought in bulk to feed the inmates often requires purchases in excess of \$1,000. Since this is actually a county matter rather than a canteen matter this should be addressed with the Jailer, the County Judge and the County treasurer due to the fact that I am not involved in any way with those particular funds.

- The auditors have reported that there is \$18,049.40 unaccounted for in the fiscal year 2008. First of all, technically the fiscal year began in 2007. Second of all, this report states on page 3 that these particular funds were actually "not properly accounted" instead of "not accounted for". I agree that the funds were "not properly accounted for" but they were accounted for. Historically the jail had always run a "full/large/regular" canteen on Mondays and a small canteen (with only a few items available for sale) on Thursdays. Several years ago there was a law passed that banned smoking within the jail. The canteen for selling cigarettes to inmates was eliminated completely. The sales tax requirement which had gone into effect several months to a year before this law change caused the sales tax remitted to the state to be reduced significantly. Additionally, the canteen experienced a dramatic decrease in canteen sales due to this change. Since the canteen is designed to be a self supporting account whereby the income created is used to provide recreation and needs for the inmates, such as cable television and GED classes (to those interested), the jail had to design a way to increase the revenue of the canteen so that these services would not be have to be discontinued due to lack of funds. The jail began running the same canteen on Thursdays that it had run on Mondays for the past 13 years. During these past thirteen

years the jail had accounted in detail what each inmate bought on the canteen run on Mondays but had only totaled the purchases into one lump sum on Thursdays. The amount on Thursdays was still signed off on by the inmate, but without the detail (pop dollars versus candy versus little Debbie cakes). When the jail switched to a full canteen on Thursdays they did not switch to a full detail of the canteen purchases on that day. The Jailer admits that this was an oversight but in light of the rigorous daily demands inherent within any jail, this type of oversight was not exactly at the top of his priority list. Jails typically look more for problems with inmates rather than with employees. County employees are subject to background checks, drug tests as well as having to compete with many other applicants for a very desirable county government position. While this does not excuse not examining employees, government employees are not properly trained to look for these types of accounting flaws. I agree that the process on Thursdays is very inadequate but it was by no means done purposely. A system that had been in place for thirteen years and unquestioned by previous state auditors is exactly the same system being criticized in this very audit. The Jailer informed me on the day we met that since the audit report exit, procedures for the canteen run on Mondays had already been put into place for Thursdays. The \$18,049.40 in funds "not properly accounted for" were properly accounted for by the very fact that the inmates still signed off on the total dollars that they spent on the canteen that day. This particular amount of money referenced by the auditors is reflecting the fact that the "pop dollars" on Thursdays were not separately accounted for on those days. However, the money was accounted for. I reconciled the bank account for that particular fiscal year. While a compilation is limited to the information provided by the

client, the reconciliation itself provides a lot of facts. In accounting terminology debits (+) must equal credits (-) in order for an entire system to be in balance. I did not have to adjust the cash account by this \$18,049.40 in order for the accounts to reconcile. I did not examine the particular systematic procedures used by the jail for its internal controls, but I was not hired to do so. The previous auditors for the past 13 years had never had a problem so I had never been consulted for a solution until this point, nor had the previous bookkeeper, Eleanor Blakeman.

- The auditor has stated that there was no reconciliation of Jail Commissary inventory purchases to determine purchase requirements. I have discussed this with the Jailer and we have agreed that this process does need to be implemented. The sales of food items have significantly increased since the cigarettes were banned from the jails. With the increase in food sales and the diversity of items sold through the canteen absolutely needs to be an inventory control established as soon as possible. Since there are various ways this can done (quantity versus cost) this particular system to be put into place needs to be further discussed. The Jailer is open to whatever system the state would prefer. However, it must be noted that this procedure in addition to all of the other procedures to be implemented, the jail would more than likely need to hire additional personnel. The county would have to approve this unless the law would allow for an employee to be paid from the canteen funds since the sole purpose of this employee would be to maintain proper controls of the canteen. This solution may actually cause another problem in segregation of duties.
- The auditors have stated that the supporting documentation for refunds issued to inmates

upon release was not always signed for. Upon further review the Jailer has found that part of the problem is the fact that the sheets printed from the computer only requires the signature of the employee releasing the inmate and not the signature of the inmate. The jail is going to contact the software company and have a meeting with the employees to resolve this matter.

- The next issue at hand by the auditors is the fact that there was no monitoring of the inmate account receivable balances or policies in place to collect these said receivables from the inmates after their release. Inmates are charged book in fees, housing fees and medical fees. If an inmate is booked into the jail and has no funds available on his or her personal possession then there is no money to be put into the canteen for that inmate. If no family or friends put any money on the account for the inmate then there are no funds available to deduct these fees from. When the inmate is released they are technically only being charged with a crime but not guilty until so found. The jail does not have the legal right to hold any inmate for these fees as the inmate could be innocent. At this point the said fees are a civil matter that can only be pursued by the County Attorney. During the past year, prior to this audit the jail contracted with an outside collection firm, Pay My Jailer, to assist in the collection of these unpaid fees (the agreement outlining these services is attached). The jail sends a letter to this outside firm and this firm then sends a 30 day letter to the former inmate requiring payment or a payment plan before further litigation is imposed. The outside firm supplies the former inmate with two deposit slips whereby they can make their payment directly with Central Bank in Nicholasville. The funds received by Central Bank are taken by this outside firm, their fee is deducted and the remainder is

sent directly to the county treasurer's office thereby releasing the jail from any further responsibility. If the former inmate does not respond the jail is sent a letter from the collection agency and then the Jailer must decide whether or not to turn this particular inmate over for prosecution. The Jailer has described this process to me as follows: only dollar significant accounts are pursued. It has been found that repeat offenders know that they don't have to pay these funds when they are released and that if they don't own assets or have a job, the court has nothing to attach a levy to. The costs of taking these repeat offenders or in the case of a one time offender with a small fee to court is actually more costly to the court system, and moreover, the taxpayers than the results or proceeds collected, if any. Unfortunately, the system must absorb these costs unless a way to defer crimes that have existed for centuries can be deferred. Many people in our society have figured out how to beat and get around "the system" and this is no exception.

- The next point the auditors brought up was the issue that "Inmates were not required to sign for medical services received while at the jail which were deducted from their commissary account" The jailer has responded as follows: The inmates signed the request to be seen by the doctor. Once the doctor became involved it became a medical matter rather than a jail matter that was subject to an entire different set of regulations and laws. Doctors have to adhere to HEPA regulations and therefore the jail is not able to be given the medical information of that particular inmate unless that inmate allows the release of the information to the jail. This could include the consent to treatment. I don't believe this is a problem within the jail but more a protection of the inmate's medical records as required by law. Therefore, the request for

treatment is all that is needed for this commissary deduction. The only additional procedure that could be implemented is that the inmate signs off on these additional charges upon release. Any further investigation could be considered to be inquiring into medical procedures that are protected by HEPA law.

2. \$18,049 of Jail Canteen Funds Were Not Properly Accounted For.


- This is really not an additional issue as it has already been addressed above. I have included it separately merely due to the fact that the auditors decided to mention it for a second time in the same report.

In closure of this response I would like for the following to be recorded for the record:

From my understanding, the canteen account that exists today was enhanced from a prior jailer that was put rigorously into place when Jailer, Frank Hubbard took office. Cecil Moss, who was directly under Mr. Hubbard's command for 12 years, is now the new jailer. He has not only maintained, but also enhanced upon the wisdom displayed and taught in the past twelve years from the Jailer, Frank Hubbard. Jailer, Cecil Moss has since developed further procedures as he has seen necessary including but not limited to the development of an official accounts receivable system for inmates leaving the jail with a balance owed to Jessamine County due to their detainment in the jail system. As of June 30, 2008, the Jail's canteen account had in excess \$58,000 that had accumulated over the past 13 years in the savings and CD's in existence for this particular aspect of the jail. Since these funds can only be spent for designated purposes, it would seem more feasible for the state to address how to better the treatment of the inmates with these available funds. In my opinion the canteen system is in better shape today than it has been in earlier years. My question is: are your requirements going to overburden a successful canteen program or assist it in becoming more beneficial for the inmates who have generated these available funds?

We would like to request an additional meeting with the auditors and Beth Francis to further address these issues prior to the report being made public.


Cecil Moss, Jailer


Niki Gibson, CPA

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**JESSAMINE COUNTY FISCAL COURT
AUDITOR'S RESPONSE TO RESPONSE BY JAILER**

**For The Fiscal Year Ended
June 30, 2008**

Appendix C

**JESSAMINE COUNTY FISCAL COURT
AUDITOR'S RESPONSE TO RESPONSE BY JAILER
FYE JUNE 30, 2008**

THIS IS THE AUDITOR'S RESPONSE TO THE JAILER'S RESPONSE TO COMMENT 2008-1.

1. Pursuant to KRS 68.210, at a minimum a daily cash checkout sheet which lists all receipts received by the Jailer by category of receipt should be completed. The daily bank deposit should agree to the amount deposited line on the daily cash checkout sheet, less start-up cash. All daily detail should be attached to each daily cash checkout sheet. This includes but is not limited to pre-numbered receipt forms issued, check stubs received and the copy of the bank deposit slip.
2. The use of one sequential set of checks and limiting the number of employees with check signing authority will allow for better internal control and account reconciliation.
3. Upon review of documentation received subsequent to fieldwork in regard to the holding of commission checks, original documentation on check stubs was for invoice date and not the actual date check was written. However, it still appears that these commission checks along with all other receipts are not being deposited in a timely manner.
4. KRS 431.5305 does state that bail bond fees, inmate reimbursements, work release fees, etc are to be paid to the County Treasurer by the 10th of the following month. While monthly remittance is allowed, these funds should still be deposited daily into an official bank account.
5. No further response as it appears they are in agreement with our recommendation.
6. No further response as it appears they are in agreement with our recommendation.
7. Same as # 2.
8. No further response as it appears they are in agreement with our recommendation.
9. Proper internal controls or adequate segregation of duties over the purchasing and payment for purchases from the Jail Canteen Fund need to be implemented. This would include the separation of responsibilities over the authorization of disbursement transactions, processing and recording of transactions, reviewing the transactions and handling any related assets. If duties cannot be properly segregated, then the Jailer or appropriate designee could examine checks prepared by the bookkeeper and compare to proper documentation and the disbursements journal. This should be documented by initialing the invoices and other supporting documentation and the journal. Proper oversight should be maintained by the Jailer.
10. The Jailer was unable to provide adequate supporting documentation for the \$18,049.00 in question. Although it can be accounted for as a disbursement out of the Jail Canteen Fund bank account thereby allowing the bank account to be reconciled, there is no documentation to substantiate where this money went after the check was written to cash and therefore the "cash" funds were not properly or adequately accounted for. The practice of writing checks to cash should be prohibited.
11. No further response as it appears they are in agreement with our recommendation.
12. No further response as it appears they are in agreement with our recommendation.

**JESSAMINE COUNTY FISCAL COURT
AUDITOR'S RESPONSE TO RESPONSE BY JAILER
FYE JUNE 30, 2008**

13. Per inquiry and observation completed during audit, there was no system in place to monitor inmate account receivable or payable balances. The Jail staff was unable to provide detail of inmate account balances as of the fiscal year ending June 30, 2008. Inmate account money and Jail Canteen Fund money were deposited into the same bank account. As a best practice, we recommend that the jail canteen and inmate monies be accounted for in separate bank accounts. However, one bank account can be used as long as, at any given time, you know how much money belongs to the inmates. Inmate subsidiary ledgers should also be maintained.
14. In order to provide adequate internal controls and accounting for inmate accounts, we recommend that the inmates be required to sign for medical services received. Per our understanding there is a set co-pay for seeing the medical staff and receiving prescriptions. Therefore, the inmate would only need to sign to show that he/she agrees to have the co pay amounts deducted from their account. This documentation would not need to include types of medical services received or types of medication prescribed and therefore would not interfere with HIPPA regulations.

